

Honoring Our Commitments

through



Partnerships & Cooperation

**SOUTHWESTERN POWER ADMINISTRATION
2000 ANNUAL REPORT**



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The Honorable Spencer Abraham
Secretary of Energy
Washington, DC 20585

LETTER TO THE SECRETARY

Dear Secretary Abraham,



MIKE DEIHL
ADMINISTRATOR

For nearly sixty years Southwestern has faced the challenges of change. We consistently meet these challenges and successfully provide environmentally clean, reliable, cost based hydroelectric power. We play a vital bench marking role in helping meet America's growing demand for energy by delivering our wholesale products to more than 6.5 million end users across a six-state region. With the impacts of the industry's restructuring touching every corner of the country, Southwestern is again challenged.

Southwestern has updated our Strategic Plan to address current challenges within the industry as guided by the Department's Strategic Plan. We have strengthened our partnerships and cooperation with all of our stakeholders throughout the Federal power system. We have given maximum focus to the challenge of being a member of the Southwest Power Pool's proposed Regional Transmission Organization. We have successfully worked with our customers and the Corps of Engineers in improving generation reliability and availability.

Although extensive periods of drought prevailed throughout much of the southwest in 2000, we were able to market approximately 3.9 billion kilowatthours to power sales customers, with revenues of \$102 million.

On behalf of the Southwestern Power Administration, I am pleased to submit this FY 2000 Annual Report.

Sincerely,

A handwritten signature in black ink that reads "Michael A. Deihl". The signature is fluid and cursive.

Michael A. Deihl
Administrator



SOUTHWESTERN

The Southwestern Federal Power System encompasses the operation of 24 hydroelectric power plants by the U.S. Army Corps of Engineers (Corps) and the marketing of power and energy from those plants by Southwestern Power Administration (Southwestern) of the U.S. Department of Energy (DOE). The map on page 4 depicts the region served by Southwestern and its customers.

Southwestern is headquartered in Tulsa, Oklahoma; its dispatch center is in Springfield, Missouri; and its maintenance crews are based in Jonesboro, Arkansas; Springfield, Missouri; and Gore, Oklahoma. To integrate the operation of the hydroelectric generating plants and transmission of power to its customers, Southwestern maintains 1,380 miles of high voltage transmission lines, 23 substations and 46 microwave towers.

Thirteen of the 24 generating plants are scheduled directly by Southwestern. Nineteen generating plants contribute to the interconnected system operations. Generation at five projects (Denison, Narrows, Sam Rayburn, Whitney and Willis) is used to serve specific customer loads.

SOUTHWESTERN’S MISSION STATEMENT

Southwestern Power Administration’s mission is to market and reliably deliver Federal hydroelectric power with preference to public bodies and cooperatives. This is accomplished by maximizing the use of Federal assets to repay the Federal investment while balancing power needs with the diverse interests of other water resource users, and implementing public policy.

SOUTHWESTERN’S VISION

Southwestern has an open and trusting partnership with its customers in meeting their business expectations for operation of the Federal hydropower system and with the American public in meeting its financial obligations while providing good stewardship of regional water resources. The Southwestern work force is cost conscious, team based and empowered to meet customer expectations.

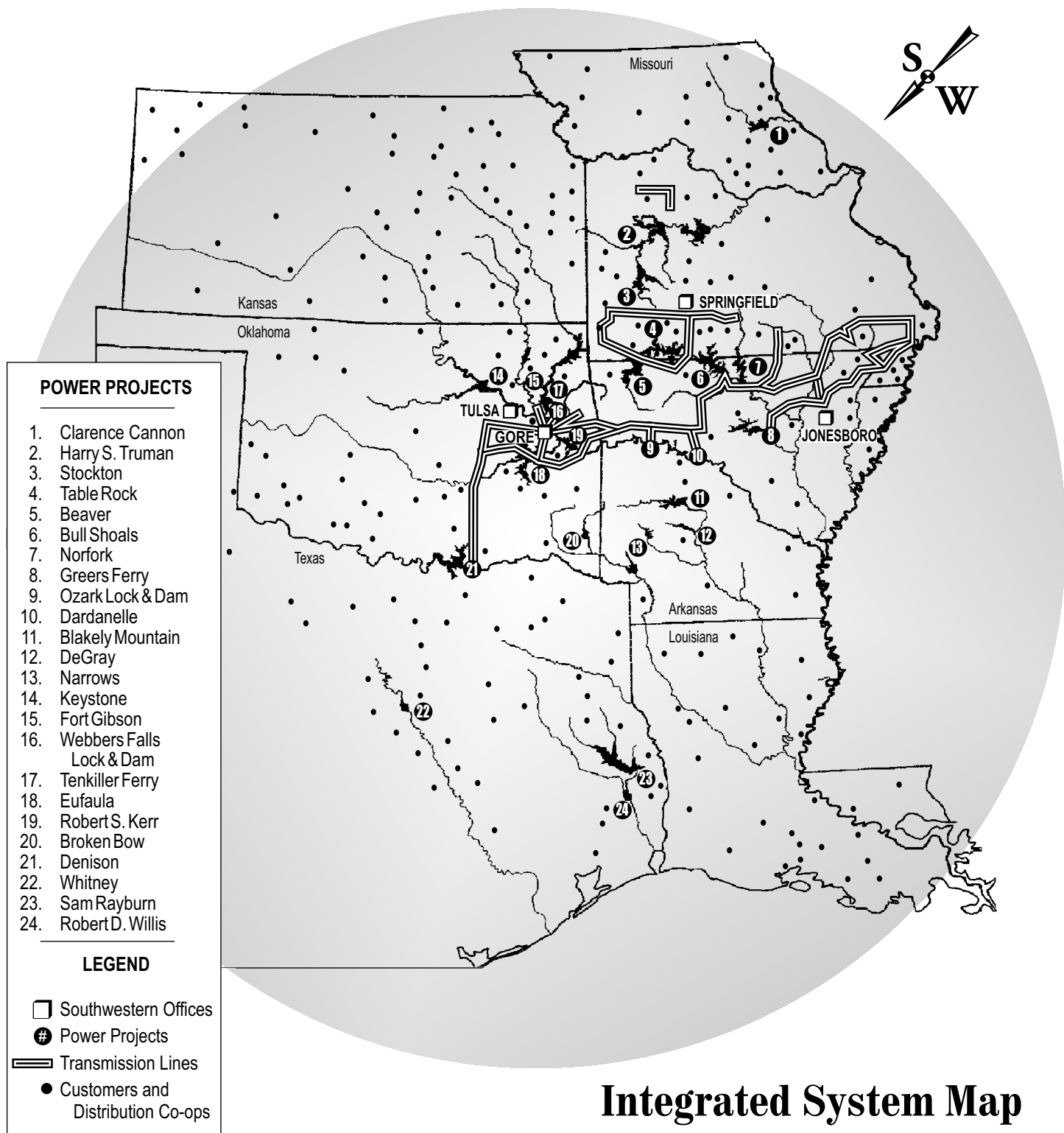
SOUTHWESTERN’S CUSTOMERS

Generation & Transmission Cooperatives	10
Distribution Cooperatives	13
Military Installations	3
Municipalities	44
Joint Action Agency with Allocation	1
Joint Action Agencies (serving 33 municipalities with allocations)	2

Southwestern’s customers serve more than 6.5 million electric consumers.



Southwestern Power Administration

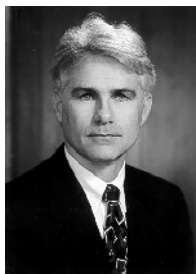


Integrated System Map

SIGNIFICANT ACCOMPLISHMENTS - FY 2000

Southwestern is proud of its progress in having achieved significant objectives during FY 2000. Among them were:

- Completed Memorandum of Agreement (MOA) among the Corps, Southwestern and City Water & Light of Jonesboro, Arkansas to provide funding for major repairs and replacements of equipment at Corps projects. Developed Sub-agreements under the MOA for nearly \$3 million.
- Continued as a member of the Southwest Power Pool (SPP), a regional reliability council, and participated with other utilities in the development of an Independent System Operator/Regional Transmission Organization.
- Signed fiber-optic cable installation agreement with KAMO Power, to save over \$4 million.
- Successfully transitioned to year 2000 without interruption in power delivery or financial operations. Southwestern's two mission-critical systems, the Supervisory Control And Data Acquisition and Oracle Financials, as well as all other systems, entered the new millennium without incident.
- Maintained a safety record of a zero lost time injury rate for FY 2000, while the average industry rate was 1.3 according to the Bureau of Labor Statistics.
- Received an unqualified opinion on the FY 2000 financial audit.
- Southwestern was recognized as Power Marketing Administration of the Year for its small business contracting accomplishments.
- Completed and implemented an agency Cyber Security Plan.
- Finalized formal maintenance agreements with the Little Rock, Kansas City & Tulsa Districts of the Corps.
- Completed internal inspection of switchyard equipment at all Little Rock District facilities.
- Saved 6.2 million barrels of oil, 1.8 million tons of coal, or 38.2 billion cubic feet of gas under actual water conditions through hydropower generation.
- Prevented greenhouse emissions of approximately 3.1 million tons of carbon dioxide, 9,400 tons of sulfur dioxide, and 7,500 tons of nitrogen oxides through hydropower generation.
- Achieved a Control Compliance Rating of "PASS" under the North American Electric Reliability Council performance standard for each month of the rating period.
- Continued the AIM program (Achievement, Improvement and Measurement) which establishes performance goals with agency-wide monetary awards for their successful accomplishment. In FY 2000 Southwestern met eight of ten performance goals, an outstanding achievement.



DALLAS COOPER
Assistant Administrator
Office of
Maintenance



GEORGE GRISAFFE
Assistant Administrator
(CFO) Office of
Corporate Services



GENE REEVES
Assistant Administrator
Office of
Corporate Operations



LARRY YADON
General Counsel
Office of
General Counsel



DROUGHT DEVELOPMENTS

Much of the hydroelectric power operations in FY 2000 at the Federal water resource projects were dictated by drought conditions in central and southern Texas and the White River basin in northern Arkansas and southern Missouri. Drought results in reduced lake inflow, which in turn means less electricity produced from the lakes. By the end of FY 2000, parts of Texas had experienced over 20 months of drought conditions. Energy production at Whitney Lake for FY 2000 was its lowest since the last hydro unit was placed on line in June 1955. At Sam Rayburn Reservoir, energy production was the lowest since FY 1981.

Similarly, parts of northern Arkansas had endured 30 months of drought by the end of FY 2000. The lowest recorded lake levels since 1981 were experienced in FY 2000 at Bull Shoals Lake and Table Rock Lake. Electrical output at both sites and two other White River projects, Beaver Lake and Norfolk Lake, was the lowest since FY 1981.

Hydropower production is not the only lake usage affected when a drought occurs. Although the lakes are designed to be drawn down during dry conditions, they could eventually be lowered to levels that jeopardize water supplies, create difficulties for marina operators and recreationists on the lake, and limit downstream fishing and navigation efforts.

Recognizing the impacts that the continuing drought would have on all of the users of the valuable water resource, both upstream and downstream, Southwestern met with the Corps during the winter to develop strategies to reduce those impacts. The Corps, through cooperation with Southwestern and its customers, decided on a regional approach, using flood waters in projects not affected by the drought to provide increased peaking electrical output. That effort decreased the demand on the drought-stricken projects. New equipment and relaxed restrictions at those projects also provided assistance.

Meanwhile, Southwestern and several of its customers purchased energy to help preserve the water in the lakes as conditions worsened. While each user of the lakes still felt the brunt of nature's rainfall deficiency, the actions taken by the Corps, Southwestern, and its customers significantly reduced the burden for all.

ALTERNATIVE FINANCING / HYDROPOWER CONFERENCE

Fiscal year 2000 saw the continuation of cooperation, coordination and joint action by Southwestern, its customers and the Corps:

A historic MOA was signed by the Corps, Southwestern and City Water & Light of Jonesboro, Arkansas to provide funding for major maintenance of equipment at Corps projects.

A Hydropower Conference and funding for five projects under the FY 2000 MOA are two of the successes achieved by these partnerships.

The Hydropower Conference, hosted by the Corps, Kansas City District, saw the development of a regional approach concept among the Corps, Southwestern and its customers. This alliance addressed the impacts of



extremely dry conditions in Arkansas, particularly in the White River System.

SOUTHWESTERN/KAMO FIBER OPTIC AGREEMENT

An essential criterion employed by Southwestern in maintaining its communications program is partnering with other utilities and communications providers whenever possible to reduce costs.

In FY 2000, Southwestern finalized a long-term partnership agreement with KAMO Power which provides for the installation of optical ground wire connecting Southwestern's northern and western operating areas at an estimated savings of \$4 million.

FY 2000 RATE ACTIVITIES

Southwestern completed power repayment studies on the Integrated System, the Sam Rayburn Dam (Rayburn) project, and the Robert D. Willis project during FY 2000.

The reviews for all three rate systems indicated that current rates were adequate to generate sufficient revenues to recover Southwestern's and the Corps' hydropower operation and maintenance costs and the Federal investment, together with interest.

Though the rate did not need to be changed, Rayburn's current rate was scheduled to expire on September 30, 2000. Therefore, a request to extend the current Rayburn rate for one year was submitted to the Deputy



Secretary of Energy. That rate extension was approved on September 6, 2000, for the period October 1, 2000 through September 30, 2001.

In addition to the Rayburn extension, Southwestern also submitted a modified rate filing to revise terms and conditions contained in portions of the Integrated System rate schedules for added clarity and to reflect the changing market conditions. On December 2, 1999, the Deputy Secretary of Energy approved Southwestern's Integrated System Rate Schedules (P-98C and NFTS-98C) on an interim basis. These rate schedules were subsequently approved on a final basis by the Federal Energy Regulatory Commission (FERC) on February 28, 2000.

RESTRUCTURING ACTIVITIES

During FY 2000, the electric industry experienced a great deal of change and uncertainty. Some regions encountered price spikes, others dealt with power outages and shortages. Many restructuring bills were introduced in Congress. Electric utility company mergers and acquisitions were abundant. The issuance of the FERC's Order No. 2000 on Regional Transmission Organizations (RTO) in December 1999 continued the trend toward a more regional approach to managing the transmission grid.

Southwestern was challenged to balance its goal of reliably providing Federal hydropower to its customers at the lowest possible cost consistent with sound business principles with the broader goal of promoting efficiency in the wholesale electricity markets on a regional basis. As a member of the Southwest Power Pool (SPP), a regional reliability council, Southwestern took steps throughout the year to strive for the accomplishment of this challenge. Southwestern considered the merits of various RTOs which were developing, including the Midwest Independent System Operator RTO, the Crescent Moon Regional Transmission Entity, the Public Power Regional Transmission Grid, and the SPP/RTO.

Southwestern actively participated in the SPP restructuring activities, including refinement of their current regional open access transmission tariff and the process of developing an SPP/RTO. Southwestern customers were

encouraged to be involved and directly participate in the SPP/RTO development process.

Issues such as cost shifting and satisfaction of statutory obligations specific to Southwestern as a Federal agency were and continue to be addressed during the SPP/RTO formation process.



FIELD CREWS STORM INTO ACTION

In the spring of 2000 severe thunderstorms and tornadoes whipped through the Missouri bootheel area, destroying eight structures on the Kennett to New Madrid line.

Before the winds subsided, substation, line and brush crews from Southwestern's Jonesboro and Gore field locations sprang into action to restore power in the region. The cooperation and partnership of these crews embody the excellence Southwestern is noted for.

YEAR 2000 NON-EVENT

Months of hard work and planning for the changeover from 1999 to 2000 paid off for Southwestern. Watch teams at headquarters and in the field ensured a seamless transition of all systems for the Agency.





100 West Fifth Street
Suite 310
Tulsa, OK 74103

Independent Auditors' Report

The Administrator of
Southwestern Power Administration
U.S. Department of Energy:

We have audited the accompanying combined statements of assets, Federal investment, and liabilities of the Southwestern Federal Power System (SWFPS) as of September 30, 2000 and 1999, and the related combined statements of revenues, expenses, and accumulated net revenues, and cash flows for the years then ended. These combined financial statements are the responsibility of SWFPS' management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial statements continued in Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 01-02, Audit Requirements for Federal Financial Statements, as applicable to this entity. Those standards and OMB Bulletin No. 01-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the SWFPS as of September 30, 2000 and 1999, and the results of its operations and changes in accumulated net revenues, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The information presented in management's Overview and Performance Measurements is not a required part of the combined financial statements, but is supplementary information required by OMB Bulletin No. 97-01, Form and Content of Agency Financial Statements. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit the information in the Overview and Performance Measurements sections, and, accordingly, we express no opinion on it.

In accordance with Government Auditing Standards, we have also issued reports dated January 24, 2001, on our consideration of the SWFPS' internal control over financial reporting and on its compliance with certain provisions of laws and regulations. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards, and should be read in conjunction with this report in considering the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the combined financial statements referred to in the first paragraph of this report, taken as a whole. The accompanying combining information is presented for purposes of additional analysis and is not a required part of the combined financial statements. The combining information has been subjected to the auditing procedures applied in the audit of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.



KPMG LLP, KPMG LLP a U.S. limited liability partnership, is
a member of KPMG International, a Swiss association.

KPMG LLP

January 24, 2001



SOUTHWESTERN FEDERAL POWER SYSTEM

Combined Statements of Assets, Federal Investment, and Liabilities

September 30, 2000 and 1999

Assets	2000	1999
Utility plant:		
Plant in service	\$ 1,178,659,399	1,136,797,318
Accumulated depreciation	(394,792,653)	(379,425,418)
Construction and retirement work in progress	43,078,135	61,943,773
Net utility plant	826,944,881	819,315,673
Current assets:		
Unexpended appropriations	18,961,511	16,196,927
Accounts receivable	12,678,784	15,206,587
Materials and supplies, at average cost	6,806,299	6,132,917
	38,446,594	37,536,431
Banking exchange receivable	2,974,807	4,865,231
Deferred workers' compensation	15,780,038	5,497,294
Other assets	504,719	30,558
Total assets	\$ 884,651,039	867,245,187
Federal Investment and Liabilities		
Federal investment:		
Congressional appropriations	\$ 2,357,725,743	2,276,611,684
Interest on Federal investment	739,935,885	718,695,063
Transfers from other Federal agencies	33,117,251	30,421,612
Gross Federal investment	3,130,778,879	3,025,728,359
Funds returned to U.S. Treasury	(2,359,192,935)	(2,275,377,933)
Investment of U.S. Government	771,585,944	750,350,426
Accumulated net revenues	84,418,254	93,005,291
Total Federal investment	856,004,198	843,355,717
Current liabilities - accounts payable and accrued liabilities	10,433,421	10,952,717
Accrued workers' compensation	16,084,559	5,497,294
Purchase power and banking exchange deferral	1,735,814	7,065,128
Hydropower revenue deferral	393,047	374,331
Commitments and contingencies (Notes 3, 5, 6 and 7)	-	-
Total liabilities	28,646,841	23,889,470
Total Federal investment and liabilities	\$ 884,651,039	867,245,187

The accompanying notes are an integral part of these power system combined financial statements.



SOUTHWESTERN FEDERAL POWER SYSTEM**Combined Statements of Revenues, Expenses,
and Accumulated Net Revenues****Years ended September 30, 2000 and 1999**

	<u>2000</u>	<u>1999</u>
Operating revenues:		
Sales of electric power:		
Cooperatives	\$ 57,188,035	63,670,608
Municipalities	25,098,294	28,744,657
Federal and state agencies	1,968,546	2,199,398
Banking exchange	2,509,916	7,324,819
Transmission service charges for others	9,259,701	9,150,990
Other operating income	1,108,314	945,853
Total operating revenues before deferrals	<u>97,132,806</u>	<u>112,036,325</u>
Net purchase power credit and banking exchange	<u>4,761,640</u>	<u>3,724,471</u>
Total operating revenues	<u>101,894,446</u>	<u>115,760,796</u>
Operating expenses:		
Operation and maintenance	56,466,152	51,517,345
Purchase power and banking exchange	9,815,932	12,474,028
Depreciation	21,066,218	45,327,219
Transmission service charges by others	1,858,939	2,476,521
Benefit expense	<u>3,232,054</u>	<u>2,869,636</u>
Total operating expenses excluding interest	<u>92,439,295</u>	<u>114,664,749</u>
Net operating revenues	<u>9,455,151</u>	<u>1,096,047</u>
Interest on Federal investment	21,197,208	23,341,537
Allowance for funds used during construction (AFUDC)	<u>(3,155,020)</u>	<u>(3,330,724)</u>
Net interest expense	<u>18,042,188</u>	<u>20,010,813</u>
Net deficits	<u>(8,587,037)</u>	<u>(18,914,766)</u>
Accumulated net revenues:		
Balance, beginning of year	<u>93,005,291</u>	<u>111,920,057</u>
Balance, end of year	<u>\$ 84,418,254</u>	<u>93,005,291</u>

The accompanying notes are an integral part of these power system combined financial statements.



SOUTHWESTERN FEDERAL POWER SYSTEM

Combined Statements of Cash Flows

September 30, 2000 and 1999

	<u>2000</u>	<u>1999</u>
Cash flows from operating activities:		
Net deficits	\$ (8,587,037)	(18,914,766)
Adjustments to reconcile net deficits to net cash provided by operating activities:		
Depreciation	21,066,218	45,327,219
Benefit expense paid by other Federal Agencies	2,614,604	2,527,657
Interest on Federal investment	21,197,210	23,341,537
Allowance for funds used during construction	(3,155,020)	(3,330,724)
(Increase) decrease in assets:		
Accounts receivable	2,527,803	146,610
Materials and supplies	(673,382)	(261,630)
Banking exchange receivable	1,890,424	1,390,939
Deferred workers' compensation	(10,282,744)	(3,169,061)
Other assets	(474,161)	(10,113)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	(519,296)	(3,780,102)
Accrued workers' compensation	10,587,265	3,169,061
Purchase power and banking exchange deferral	(5,285,702)	(3,611,873)
Hydropower revenue deferral	18,716	10,109
Net cash provided by operating activities	<u>30,924,898</u>	<u>42,834,863</u>
Cash flows from investing activities -		
Additions to utility plant	<u>(25,459,371)</u>	<u>(33,363,761)</u>
Cash flows from capital financing activities:		
Congressional appropriations	81,114,059	84,878,499
Funds returned to U.S. Treasury	<u>(83,815,002)</u>	<u>(97,713,522)</u>
Net cash used in capital financing activities	<u>(2,700,943)</u>	<u>(12,835,023)</u>
Net increase (decrease) in cash	2,764,584	(3,363,921)
Cash at beginning of year	<u>16,196,927</u>	<u>19,560,848</u>
Cash at end of year	<u>\$ 18,961,511</u>	<u>16,196,927</u>
Noncash transactions -		
Transfer of plant in service from other Federal agencies	<u>\$ 81,035</u>	<u>378,173</u>
Adjustment for change in Stockton allocation rates	<u>\$ -</u>	<u>2,984,728</u>

The accompanying notes are an integral part of these power system combined financial statements.



SOUTHWESTERN FEDERAL POWER SYSTEM

Notes to Combined Financial Statements

September 30, 2000 and 1999

(1) Summary of Significant Accounting Policies

(a) General Information and Basis of Preparation of Financial Statements

The accompanying combined financial statements of the Southwestern Federal Power System (SWFPS) include the accounts of the Southwestern Power Administration (Southwestern), a unit of the U.S. Department of Energy (DOE), and the accounts of the Southwestern marketed hydroelectric generating plants and power operations of the U.S. Army Corps of Engineers (Corps), a unit of the U.S. Department of Defense (DOD). Southwestern and the Corps are separately managed and financed and each maintains its own accounting records. For purposes of financial and operational reporting, the facilities and related operations are considered one entity.

The Corps has constructed and operates hydroelectric generating plants in the states of Oklahoma, Missouri, Arkansas, and Texas. Costs of multi-purpose Corps projects are allocated to power and non-power purposes. The portion of such project costs allocated to power is included in the financial statements. Southwestern, as designated by the Secretary of Energy, purchases, transmits, and markets power.

The SWFPS is subject to the regulations of the Federal Energy Regulatory Commission (FERC). Accounts are maintained in accordance with generally accepted accounting principles as established by Financial Accounting Standards Board (FASB) and Federal Accounting Standards Advisory Board (FASAB), the uniform system of accounts prescribed for electric utilities by the FERC, the accounting practices and standards established by the DOE, and the requirements of specific legislation and executive directives issued by government agencies. The SWFPS' financial statements follow the accounting and reporting guidance contained in Statement of Financial Accounting Standards (SFAS) No. 71, Accounting for the Effects of Certain Types of Regulation. Allocation of costs and revenues to accounting periods for ratemaking and regulatory purposes may differ from bases generally applied by nonregulated companies. Such allocations to meet regulatory accounting requirements are considered to be generally accepted accounting principles for regulated utilities provided that there is a demonstrable ability to recover any deferred costs in future rates.

(b) Confirmation and Approval of New Rates

Integrated System rate schedules were placed into effect January 1998, and were confirmed and approved by the FERC on a final basis April 28, 1998 and again in February 2000. In April 1999, the FERC confirmed and approved on a final basis minor changes to those rate schedules. Those changes became effective January 1999 and 2000, respectively.

(c) Utility Plant and Depreciation

Plant in service and construction and retirement work in progress are stated at original cost or at appraisal value for property transferred from other government agencies. Cost includes direct labor and materials, payments to contractors, indirect charges for engineering, supervision and similar overhead items, and allowance for funds used during construction. The costs of additions and betterments are capitalized. Repairs and minor replacements are charged to operation and maintenance expense. Generally, the cost of utility plant retired, together with removal costs less salvage, is charged to accumulated depreciation when the property is removed from service. Gains and losses are recognized only on sales of significant identifiable assets.



Depreciation on utility plant is computed on a straight-line basis over the estimated service lives of the various classes of property. Service lives currently range from 5 to 100 years for transmission plant and generating plant components.

During fiscal year 1999, Southwestern implemented utilization of individual asset lives rather than composite group asset lives. Southwestern adopted the new lives in accordance with the 1989 Western Area Power Administration study of asset service lives. The cumulative effect of the change was recorded in fiscal year 1999.

(d) *Unexpended Appropriations*

Unexpended appropriations consist of the unexpended balance of funds appropriated by Congress for construction and operation and maintenance purposes and are maintained by the U.S. Treasury. For purposes of the statements of cash flows, unexpended appropriations are considered to be cash.

(e) *Congressional Appropriations*

Congressional appropriations received by the Corps are authorized and allocated to individual projects on a total project basis. These total project allocations are further distributed between power and non-power purposes at the discretion of project management. Power purpose allocations may vary from actual amounts expended during the year. It is the intent of the Corps' project management to distribute congressional appropriations in amounts approximating estimated current year expenses and to adjust the distribution as necessary within the limits of the transfer authority residing at the district level.

(f) *Purchase Power and Banking Exchange Deferral and Receivable*

A separate rate component (adder) recovers the cost of purchased power based upon the average purchased power costs over the past several years. If the actual expenses of purchased power exceed the revenue generated from this adder, the cost is deferred for future recovery through rates. Likewise, if the expense is less than the adder, the excess revenue is deferred.

In 1988, the SWFPS determined that the deferred revenue accumulated from the adder exceeded estimated requirements. As a result, refunds of the adder have been accomplished by including a purchase power credit in the rate schedules approved for each fiscal period from July 1, 1988, through September 30, 2000. The SWFPS calculates interest on the purchased power deferral at the applicable current interest rate established in the fiscal year of the deferral. Such interest is deferred to offset future purchase power costs.

The SWFPS has arrangements with certain customers in which excess power generated by the SWFPS is banked with the customer until needed by the SWFPS and the customer has excess power available. The SWFPS records a receivable for the power banked at the customers' cost of generation. The net revenue or expense associated with banking activity is deferred.

(g) *Operating Revenues*

Operating revenues are recorded on the basis of service rendered. Rates are established under requirements of the Flood Control Act of 1944, related legislation and executive departmental directives, and are to provide sufficient revenues to meet all required payments for system costs, including operation and maintenance expenses less depreciation, interest, and payment to the U.S. Treasury for the Federal investment in utility plant. Rates are intended to provide for recovery of the Federal investment in transmission and generating facilities within the service lives of the assets, not to exceed 50 years from the date placed in service, while operation and maintenance costs and interest on Federal investment are intended to be recovered annually.



As set forth in "Utility Plant and Depreciation" above, assets are being depreciated for financial reporting purposes using the straight-line method over their estimated service lives which currently range from 5 to 100 years for transmission and generating plant components. Accordingly, annual depreciation charges are not matched with the recovery of the related capital costs and will, in the case of generating facilities, continue beyond the period within which such costs will have been recovered through rates.

While energy and transmission rates are established to recover the costs of operating the power projects, rates are also required to be at the lowest possible level, consistent with sound business principles. Over the life of the power system, accumulated net revenues represent differences between the timing of the recognition of expenses and related revenues, resulting primarily from the difference between the recognition of depreciation and the related recovery of the U.S. Treasury's investment in utility plant. Southwestern and the Corps are Federal entities, thus at any given time the accumulated net revenue (deficit) balance is deemed to represent deferred revenue or expense, respectively.

The practice followed by the SWFPS is in conformity with the accounting practices and standards established by the DOE and the requirements of specific legislation and executive directives issued by government agencies.

(h) *Interest on Federal Investment*

Interest on Federal investment is a cost mandated by the Secretaries of the Departments of Energy and Defense and by the FERC. Southwestern computes interest in accordance with DOE Order RA 6120.2, which provides that interest be computed on the remaining investment after revenues have been applied to recovery of costs during the year, any prior year unpaid costs, and then to Federal investment bearing the highest interest rate (see Note 4).

(i) *Allowance for Funds Used During Construction (AFUDC)*

The FERC Uniform System of Accounts defines AFUDC as the net costs for the period of construction of borrowed funds used for construction purposes and a reasonable rate on other funds when so used. While cash is not realized currently from this allowance, it is realized under the rate making process over the repayment life of the related property through increased revenues resulting from higher recoverable investment. The interest rates used are established by law, administrative order or administrative policy for the fiscal year during which the construction commenced (5.75 percent for fiscal year 2000, and 6.0 percent for fiscal year 1999).

(j) *Retirement Benefits*

SWFPS employees participate in either the Civil Service Retirement System (CSRS) or Federal Employees Retirement System (FERS), both contributory defined benefit plans. Agency contributions are based on eligible employee compensation and are submitted to benefit program trust funds administered by the Office of Personnel Management (OPM). The contribution levels, however, are legislatively mandated and do not reflect the full cost requirements to fund the plans. Other retirement benefits administered by the OPM include the Federal Employees Health Benefits Program and the Federal Employee Group Life Insurance Program.

Statement of Federal Financial Accounting Standards (SFFAS) No. 5, Accounting for Liabilities of the Federal Government (SFFAS No. 5), requires the Federal employer entity to recognize pension expense and other retirement benefit expense in its financial report equal to the service cost for its employees for the accounting period, less the amount contributed by the employees, if any. In accordance with SFFAS No. 5, Southwestern has recorded \$941,208 and \$878,625 of pension and retirement benefits expense, as of September 30, 2000 and 1999, respectively. The Corps has recorded \$1,673,396 and \$1,649,032 of pension and retirement benefits expense as of September 30, 2000 and 1999, respectively. Pension and retirement benefits expense is included as part of benefits expense.



(k) Workers' Compensation

Workers' compensation consists of two elements: actuarial liability associated with workers' compensation cases incurred for which additional claims may still be made in the future (future claims) and a liability for expenses associated with actual claims incurred and paid by the Department of Labor (DOL), the program administrator, to whom SWFPS must reimburse. In conjunction with the adoption of SFFAS No. 4, Management Cost Accounting Concepts and Standards for the Federal Government, and SFFAS No. 5, the Department of Labor (DOL), the DOE, and the DOD determined SWFPS's actuarial liability associated with workers' compensation cases. The actuarial liability for future claims was determined using historical benefit payment patterns and U.S. Treasury discount rates.

The recovery of these future claims will be deferred for purposes of the ratemaking process until such time the future claims are actually submitted and paid by the DOL. Therefore, the recognition of the expense associated with this actuarially determined liability has been recorded as deferred worker's compensation in the combined power system statements of assets, Federal investment, and liabilities in accordance with SFAS 71 to reflect the effects of the ratemaking process. SWFPS's cumulative unpaid expenses associated with actual claims incurred are \$15,981,537 and \$5,497,294 as of September 30, 2000 and 1999, respectively.

(l) Income Taxes

The SWFPS' income and facilities are exempt from taxation.

(2) Utility Plant

Plant in service and construction and retirement work in progress consist principally of generating and transmission facilities as follows:

	2000	1999
Generating facilities	\$ 1,009,028,014	992,814,588
Transmission facilities	212,709,520	205,926,503
	\$ <u>1,221,737,534</u>	<u>1,198,741,091</u>

(3) Tentative Cost Allocations

Allocations of plant cost and operation and maintenance expense between power and non-power purposes for two of the Corps' operating projects, Cannon and Harry S. Truman, are presently based on tentative allocations. At September 30, 2000, total plant costs for these two projects were \$1,008,883,547, of which \$272,077,207 was tentatively allocated to power and subject to adjustment. The firm cost allocation has been approved for the Cannon (August 1998) project. Presently, the Corps of Engineers is in the process of redetermining the project costs based on the firm cost allocation percentages. The cumulative effect will be reflected as an adjustment to the project's financial statement when available.



The Harry S. Truman project has a tentative cost allocation of \$163,176,051 for power. Since being placed in service, this project's operations have been restricted because of limited generator usage and the prohibition to use the project's pump back capabilities. The restrictions have prevented the project from producing power to its design capacity. A final determination of when, if ever, the project can reach full generating capacity has not yet been made. If the restriction on generating capacity is not removed, some additional change in allocation of cost may be required. If a change in the current allocation is required, the cumulative effect will be determined and reflected as an adjustment to the financial statements at that time.

During fiscal year 1999, the Corps of Engineers redetermined the Stockton project costs based on the final cost allocation, which was approved in May 1997. The cumulative effect of the new allocation rates was reflected as an adjustment to the project's fiscal year 1999 financial statements.

(4) Investment of U.S. Government

Construction and operation of the SWFPS transmission system and the Corps' generating plants and operations are financed through Congressional appropriations, except for the Robert Douglas Willis project which had its construction financed by other parties. The U.S. Government's investment in each generating project and each year's investment in the transmission system is to be repaid to the U.S. Treasury within the service lives of the assets, not to exceed 50 years from the time the facility is placed in service. There is no requirement for repayment of a specific amount on an annual basis. Annual revenues are first applied to the current year operating expenses (less depreciation) and interest expense. All annual amounts for such expenses have been paid through fiscal year 1999. Remaining revenues are to be first applied to repayment of operating deficits (which include all expenses except depreciation), if any, and then to repayment of the Federal investment. To the extent possible, while still complying with the repayment period established for each increment of investment and unless otherwise required by legislation, repayment of the investment is to be accomplished by repayment of the highest interest-bearing investment first. Interest rates applied to the unamortized initial investment of the U.S. Government in the Corps' hydroelectric plants range from 2.5 percent to 3.125 percent for unpaid facilities in service at the beginning of the year and 5.75 percent for facilities placed in service during 2000. Interest rates applied to the unamortized investment of the U.S. Government in Southwestern transmission facilities are approximately 2.5 and 6.875 percent for unpaid facilities in service at the beginning of the year and 5.75 percent for facilities placed in service during 2000. The rates have been set either by law, by administrative order pursuant to law, or by administrative policies using the U.S. Senate Document No. 97 formula for the fiscal year during which the appropriations were requested.



(5) Leases

Southwestern is obligated under various noncancelable operating leases, primarily for office space, that expire over the next ten years. Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) as of September 30, 2000 are:

Year ending September 30,

2001	\$ 503,000
2002	527,000
2003	558,000
2004	576,000
2005	595,000
Thereafter	1,030,000

Total future minimum lease payments \$ 3,789,000

(6) Commitments and Contingencies

Based on the 2000 Integrated System Power Repayment Study, the projected increase in capital investment in 2001 is \$29,563,526, which includes \$7,852,600 for transmission facilities and \$21,710,926 for 2001 generating facilities. The 5-year investment increase projected in the 2000 Power Repayment Study for 2001 through 2005 is estimated to cost \$88,248,326.

The SWFPS is a party to certain claims and legal actions arising in the ordinary course of business. In addition, the Corps has begun studies for the purpose of determining whether possible environmental contamination exists at various dam locations. The cost of remediation, if any, at these sites is unknown. In management's opinion, these actions will not have a material adverse effect on the financial condition or results of operations of the SWFPS.

(7) Restatement of Federal Investment

It was not determined how to properly recognize interest on Federal investment for power assets placed into service by the Corps districts within the SWFPS between 1970 and 1988. Interior Department Order 2929 was issued in 1970 and generally requires the use of annual interest rates as set by the U.S. Treasury for new power projects. The Corps and the DOE agreed in 1983 to begin using the U.S. Treasury interest rate in the calculation of the interest on the Federal investment related to new power projects. The agreement also stipulated that the interest rates from 1970 to 1983 be analyzed to insure compliance with the agreement. No Corps district had implemented the U.S. Treasury interest rate provisions prior to fiscal year 1989. Additional interest, if any, on Federal investment for the period 1970 to 1988 has not been included in the accompanying financial statements.



SOUTHWESTERN FEDERAL POWER SYSTEM

Combining Schedules of Assets, Federal Investment, and Liabilities

September 30, 2000

Assets	<u>Southwestern</u>	<u>Corps</u>	<u>Total</u>
Utility plant:			
Plant in service	\$ 191,105,812	987,553,587	1,178,659,399
Accumulated depreciation	(62,806,469)	(331,986,184)	(394,792,653)
Construction and retirement work in progress	21,603,708	21,474,427	43,078,135
Net utility plant	<u>149,903,051</u>	<u>677,041,830</u>	<u>826,944,881</u>
Current assets:			
Unexpended appropriations	11,810,404	7,151,107	18,961,511
Accounts receivable	12,399,658	279,126	12,678,784
Materials and supplies, at average cost	5,290,170	1,516,129	6,806,299
	<u>29,500,232</u>	<u>8,946,362</u>	<u>38,446,594</u>
Banking exchange receivable	2,974,807	-	2,974,807
Deferred workers' compensation	3,377,535	12,402,503	15,780,038
Other assets	474,793	29,926	504,719
Total assets	<u>\$ 186,230,418</u>	<u>698,420,621</u>	<u>884,651,039</u>
Federal Investment and Liabilities			
Federal investment:			
Congressional appropriations	\$ 726,922,618	1,630,803,125	2,357,725,743
Interest on Federal investment	45,042,848	694,893,037	739,935,885
Transfers from other Federal agencies	14,025,908	19,091,343	33,117,251
Gross Federal investments	<u>785,991,374</u>	<u>2,344,787,505</u>	<u>3,130,778,879</u>
Funds returned to U.S. Treasury	<u>(726,518,992)</u>	<u>(1,632,673,943)</u>	<u>(2,359,192,935)</u>
Net investment of U.S. Government	59,472,382	712,113,562	771,585,944
Accumulated net revenues (deficit)	<u>115,382,045</u>	<u>(30,963,791)</u>	<u>84,418,254</u>
Total Federal investment	<u>174,854,427</u>	<u>681,149,771</u>	<u>856,004,198</u>
Current liabilities - accounts payable and accrued liabilities	5,895,183	4,538,238	10,433,421
Accrued workers' compensation	3,351,947	12,732,612	16,084,559
Purchase power and banking exchange deferral	1,735,814	-	1,735,814
Hydropower revenue deferral	393,047	-	393,047
Total liabilities	<u>11,375,991</u>	<u>17,270,850</u>	<u>28,646,841</u>
Total Federal investment and liabilities	<u>\$ 186,230,418</u>	<u>698,420,621</u>	<u>884,651,039</u>

See accompanying independent auditors' report.



SOUTHWESTERN FEDERAL POWER SYSTEM

Combining Schedules of Assets, Federal Investment, and Liabilities

September 30, 1999

Assets	<u>Southwestern</u>	<u>Corps</u>	<u>Total</u>
Utility plant:			
Plant in service	\$ 181,741,015	955,056,303	1,136,797,318
Accumulated depreciation	(62,000,447)	(317,424,971)	(379,425,418)
Construction and retirement work in progress	24,185,488	37,758,285	61,943,773
Net utility plant	<u>143,926,056</u>	<u>675,389,617</u>	<u>819,315,673</u>
Current assets:			
Unexpended appropriations	9,665,589	6,531,338	16,196,927
Accounts receivable	15,130,321	76,266	15,206,587
Materials and supplies, at average cost	6,132,917	-	6,132,917
	<u>30,928,827</u>	<u>6,607,604</u>	<u>37,536,431</u>
Banking exchange receivable	4,865,231	-	4,865,231
Deferred workers' compensation	2,372,087	3,125,207	5,497,294
Other assets	11,785	18,773	30,558
Total assets	<u>\$ 182,103,986</u>	<u>685,141,201</u>	<u>867,245,187</u>
Federal Investment and Liabilities			
Federal investment:			
Congressional appropriations	\$ 698,296,650	1,578,315,034	2,276,611,684
Interest on Federal investment	43,166,664	675,528,399	718,695,063
Transfers from other Federal agencies	16,280,300	14,141,312	30,421,612
Gross Federal investments	757,743,614	2,267,984,745	3,025,728,359
Funds returned to U.S. Treasury	(698,719,146)	(1,576,658,787)	(2,275,377,933)
Net investment of U.S. Government	59,024,468	691,325,958	750,350,426
Accumulated net revenues (deficit)	108,596,365	(15,591,074)	93,005,291
Total Federal investment	<u>167,620,833</u>	<u>675,734,884</u>	<u>843,355,717</u>
Current liabilities - accounts payable and accrued liabilities	4,671,607	6,281,110	10,952,717
Accrued workers' compensation	2,372,087	3,125,207	5,497,294
Purchase power and banking exchange deferral	7,065,128	-	7,065,128
Hydropower revenue deferral	374,331	-	374,331
Total liabilities	<u>14,483,153</u>	<u>9,406,317</u>	<u>23,889,470</u>
Total Federal investment and liabilities	<u>\$ 182,103,986</u>	<u>685,141,201</u>	<u>867,245,187</u>

See accompanying independent auditors' report.



SOUTHWESTERN FEDERAL POWER SYSTEM

Combining Schedules of Revenues, Expenses,
and Accumulated Net Revenues

Year ended September 30, 2000

	<u>Southwestern</u>	<u>Corps</u>	<u>Total</u>
Operating revenues:			
Sales of electric power:			
Cooperatives	\$ 57,188,035	-	57,188,035
Municipalities	25,098,294	-	25,098,294
Federal and state agencies	1,968,546	-	1,968,546
Banking exchange	2,509,916	-	2,509,916
Transmission service charges for others	9,259,701	-	9,259,701
Other operating income	235,391	872,923	1,108,314
Total operating revenues before deferrals	96,259,883	872,923	97,132,806
Net purchase power credit and banking exchange	4,761,640	-	4,761,640
Revenue distributed to Corps	(52,264,773)	52,264,773	-
Total operating revenues	48,756,750	53,137,696	101,894,446
Operating expenses:			
Operation and maintenance	23,316,897	33,149,255	56,466,152
Purchase power and banking exchange	9,815,932	-	9,815,932
Depreciation	5,466,916	15,599,302	21,066,218
Transmission service charges by others	1,858,939	-	1,858,939
Benefit expense	1,228,549	2,003,505	3,232,054
Total operating expenses excluding interest	41,687,233	50,752,062	92,439,295
Net operating deficits	7,069,517	2,385,634	9,455,151
Interest expense on Federal investment	1,832,572	19,364,636	21,197,208
Allowance for funds used during construction	(1,548,735)	(1,606,285)	(3,155,020)
Net interest expense	283,837	17,758,351	18,042,188
Net revenues (deficits)	6,785,680	(15,372,717)	(8,587,037)
Accumulated net revenues (deficits):			
Balance, beginning of year	108,596,365	(15,591,074)	93,005,291
Balance, end of year	\$ 115,382,045	(30,963,791)	84,418,254

See accompanying independent auditors' report.



SOUTHWESTERN FEDERAL POWER SYSTEM

Combining Schedules of Revenues, Expenses,
and Accumulated Net Revenues

Year ended September 30, 1999

	<u>Southwestern</u>	<u>Corps</u>	<u>Total</u>
Operating revenues:			
Sales of electric power:			
Cooperatives	\$ 63,670,608	-	63,670,608
Municipalities	28,744,657	-	28,744,657
Federal and state agencies	2,199,398	-	2,199,398
Banking exchange	7,324,819	-	7,324,819
Transmission service charges for others	9,150,990	-	9,150,990
Other operating income	146,926	798,927	945,853
Total operating revenues before deferrals	111,237,398	798,927	112,036,325
Net purchase power credit and banking exchange	3,724,471	-	3,724,471
Revenue distributed to Corps	(67,271,388)	67,271,388	-
Total operating revenues	47,690,481	68,070,315	115,760,796
Operating expenses:			
Operation and maintenance	18,695,953	32,821,392	51,517,345
Purchase power and banking exchange	12,474,028	-	12,474,028
Depreciation	29,275,004	16,052,215	45,327,219
Transmission service charges by others	2,476,521	-	2,476,521
Benefit expense	1,141,085	1,728,551	2,869,636
Total operating expenses excluding interest	64,062,591	50,602,158	114,664,749
Net operating revenues (deficits)	(16,372,110)	17,468,157	1,096,047
Interest expense on Federal investment	2,136,372	21,205,165	23,341,537
Allowance for funds used during construction	(1,445,688)	(1,885,036)	(3,330,724)
Net interest expense	690,684	19,320,129	20,010,813
Net revenues (deficits)	(17,062,794)	(1,851,972)	(18,914,766)
Accumulated net revenues (deficits):			
Balance, beginning of year	125,659,159	(13,739,102)	111,920,057
Balance, end of year	\$ 108,596,365	(15,591,074)	93,005,291

See accompanying independent auditors' report.



SOUTHWESTERN FEDERAL POWER SYSTEM

Combining Schedules of Cash Flows

Year ended September 30, 2000

	<u>Southwestern</u>	<u>Corps</u>	<u>Total</u>
Cash flows from operating activities:			
Net revenues (deficits)	\$ 6,785,680	(15,372,717)	(8,587,037)
Adjustments to reconcile net revenues (deficits) to net cash provided by (used in) operating activities:			
Revenue distributed to Corps	52,264,773	(52,264,773)	-
Depreciation	5,466,916	15,599,302	21,066,218
Benefit expense paid by other Federal Agencies	941,208	1,673,396	2,614,604
Interest on Federal investment	1,832,572	19,364,638	21,197,210
Allowance for funds used during construction	(1,548,735)	(1,606,285)	(3,155,020)
(Increase) decrease in assets:			
Accounts receivable	2,730,663	(202,860)	2,527,803
Materials and supplies	842,747	(1,516,129)	(673,382)
Banking exchange receivable	1,890,424	-	1,890,424
Deferred workers' compensation	(1,005,448)	(9,277,296)	(10,282,744)
Other assets	(463,008)	(11,153)	(474,161)
Increase (decrease) in liabilities:			
Accounts payable and accrued liabilities	1,223,576	(1,742,872)	(519,296)
Accrued workers' compensation	979,860	9,607,405	10,587,265
Purchase power and banking exchange deferral	(5,285,702)	-	(5,285,702)
Hydropower revenue deferral	18,716	-	18,716
Cash provided by (used in) operating activities	<u>66,674,242</u>	<u>(35,749,344)</u>	<u>30,924,898</u>
Cash flows from investing activities -			
Additions to utility plant	<u>(9,895,176)</u>	<u>(15,564,195)</u>	<u>(25,459,371)</u>
Cash flows from capital financing activities:			
Congressional appropriations	28,625,968	52,488,091	81,114,059
Funds returned to U.S. Treasury	(80,064,619)	(3,750,383)	(83,815,002)
Transfer to Corps	<u>(3,195,600)</u>	<u>3,195,600</u>	<u>-</u>
Cash provided by (used in) capital financing activities	<u>(54,634,251)</u>	<u>51,933,308</u>	<u>(2,700,943)</u>
Net increase in cash	2,144,815	619,769	2,764,584
Cash at beginning of year	<u>9,665,589</u>	<u>6,531,338</u>	<u>16,196,927</u>
Cash at end of year	<u>\$ 11,810,404</u>	<u>7,151,107</u>	<u>18,961,511</u>
Noncash transactions -			
Transfer of plant in service from other Federal agencies	<u>\$ -</u>	<u>81,035</u>	<u>81,035</u>

See accompanying independent auditors' report.



SOUTHWESTERN FEDERAL POWER SYSTEM

Combining Schedules of Cash Flows

Year ended September 30, 1999

	<u>Southwestern</u>	<u>Corps</u>	<u>Total</u>
Cash flows from operating activities:			
Net deficits	\$ (17,062,794)	(1,851,972)	(18,914,766)
Adjustments to reconcile net deficits to net cash provided by (used in) operating activities:			
Revenue distributed to Corps	67,271,388	(67,271,388)	-
Depreciation	29,275,004	16,052,215	45,327,219
Post-retirement benefit expense	878,625	1,649,032	2,527,657
Interest on Federal investment	2,136,372	21,205,165	23,341,537
Allowance for funds used during construction	(1,445,688)	(1,885,036)	(3,330,724)
(Increase) decrease in assets:			
Accounts receivable	80,468	66,142	146,610
Materials and supplies	(261,630)	-	(261,630)
Banking exchange receivable	1,390,939	-	1,390,939
Deferred workers' compensation	(43,854)	(3,125,207)	(3,169,061)
Other assets	7,698	(17,811)	(10,113)
Increase (decrease) in liabilities:			
Accounts payable and accrued liabilities	(5,130,319)	1,350,217	(3,780,102)
Accrued workers' compensation	43,854	3,125,207	3,169,061
Purchase power and banking exchange deferral	(3,611,873)	-	(3,611,873)
Hydropower revenue deferral	10,109	-	10,109
Cash provided by (used in) operating activities	<u>73,538,299</u>	<u>(30,703,436)</u>	<u>42,834,863</u>
Cash flows from investing activities -			
Additions to utility plant	<u>(8,805,570)</u>	<u>(24,558,191)</u>	<u>(33,363,761)</u>
Cash flows from capital financing activities:			
Congressional appropriations	26,440,749	58,437,750	84,878,499
Funds returned to U.S. Treasury	<u>(95,287,942)</u>	<u>(2,425,580)</u>	<u>(97,713,522)</u>
Cash provided by (used in) capital financing activities	<u>(68,847,193)</u>	<u>56,012,170</u>	<u>(12,835,023)</u>
Net increase (decrease) in cash	(4,114,464)	750,543	(3,363,921)
Cash at beginning of year	<u>13,780,053</u>	<u>5,780,795</u>	<u>19,560,848</u>
Cash at end of year	<u>\$ 9,665,589</u>	<u>6,531,338</u>	<u>16,196,927</u>
Noncash transactions -			
Transfer of plant in service from other Federal agencies	\$ -	378,173	378,173
Adjustment for change in Stockton allocation rates	<u>\$ -</u>	<u>2,984,728</u>	<u>2,984,728</u>

See accompanying independent auditors' report.



FIVE YEAR STATISTICAL SUMMARY*

Revenue	2000	1999	1998	1997	1996
Annual gross revenue	\$101,894,446	\$115,760,796	\$113,347,438	\$113,024,275	\$103,727,910
Annual expense other than depreciation	(89,415,265)	(89,348,343)	(80,642,373)	(78,393,879)	(85,104,611)
Net (deficiency) revenues available for repayment	\$12,479,181	\$26,412,453	\$32,705,065	\$34,630,396	\$18,623,299
Retirement losses	(5,698,984)	(660,702)	(2,763,751)	(3,770,641)	833,454
Cost allocation adjustment	-0-	-0-	-0-	-0-	-0-
Amount available for repayment	\$6,780,197	\$25,751,751	\$29,941,314	\$30,859,755	\$19,456,753

Repayable Investment

Generation	\$933,511,351	\$903,108,272	\$894,269,085	\$891,896,317	\$888,477,423
Transmission	191,105,812	181,873,605	181,302,928	170,034,987	141,662,989
Total repayable investment in completed plant	\$1,124,617,163	\$1,084,981,877	\$1,075,572,013	\$1,061,931,304	\$1,030,140,412

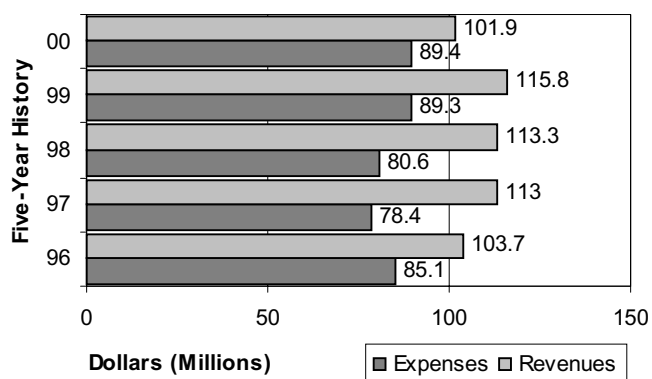
System Statistics

Total number of plants (hydro projects)	24	24	24	24	24
Number of kilometers of transmission line	2,220	2,220	2,220	2,220	2,220
Generating capacity (MW)	2,158	2,158	2,158	2,158	2,158
Cost of generating plant investment per kW	\$433	\$418	\$414	\$413	\$412
Number of customers	107	93	101	96	92
Number of full-time equivalent (FTE)	174	170	174	193	195

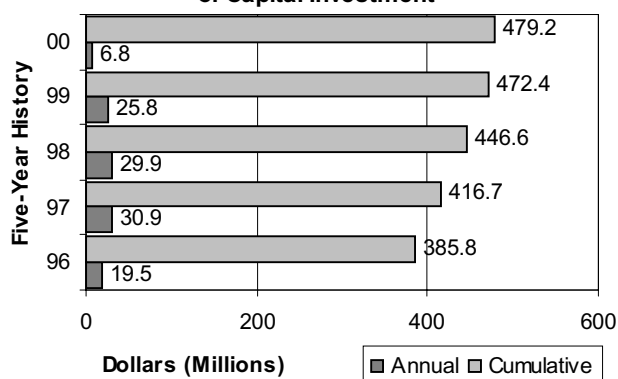
Financial Performance Indicators - Southwestern Federal Power System

Debt Service Coverage Ratio	0.479	1.064	1.200	1.239	0.847
Cumulative Principal Payments as a Percent of Total Federal Investment	42.61	43.54	41.53	39.24	37.44
Percent Variance of Actual from Planned in Net Available for Repayment	-85.15	9.07	23.20	25.52	-23.03
Net Cash Flow to the Treasury (\$000)	-\$3,760	\$7,231	\$20,404	\$33,274	\$8,163

Annual Revenues and Expenses



Annual and Cumulative Repayment of Capital Investment**



Unaudited - Supplementary Information

* The Financial Statistical Summary has been restated to reflect data used in Southwestern's Power Repayment Studies which include prior years' adjustments.

** Totals may not add due to rounding.



FEDERAL INVESTMENT IN GENERATING AND TRANSMISSION FACILITIES IN SERVICE

	2000	1999
Generating Facilities	\$987,553,587	\$955,056,303
Transmission Facilities	191,105,812	181,741,015
Total Investment	\$1,178,659,399	\$1,136,797,318
Adjustments:		
Retirement Work-in-progress	-0-	132,590
Truman Adjustment*	(33,824,487)	(31,730,282)
Dam Safety Adjustment**	(20,217,749)	(20,217,749)
Total Repayable Investment	\$1,124,617,163	\$1,084,981,877

* Adjustment reflecting Harry S. Truman's limited operating conditions and interim cost allocation rates

** Dam Safety work not repayable: Beaver per P. L. 99-662



CUMULATIVE REPAYMENT STATUS

	Robert D. Willis	Sam Rayburn	Integrated System	Total SWFPS
Revenues	\$3,514,140	\$51,341,964	\$2,758,669,824	\$2,813,525,928
Expenses				
Operations and Maintenance	3,342,058	21,719,058	1,040,848,419	1,065,909,535
Purchased Power and Service Charge	-0-	-0-	605,665,569	605,665,569
Interest	(126,476)	15,901,536	646,964,858	662,739,918
Total Expenses	\$3,215,582	\$37,620,594	\$2,293,478,846	\$2,334,315,022
Revenue Applied to Amortization (Cumulative Amortization)	\$298,558	\$13,721,370	\$465,190,978	\$479,210,906
Total Unpaid Investment	(\$298,558)	\$12,409,854	\$633,294,961	\$645,406,257

SOURCE AND DISTRIBUTION OF ENERGY FY 2000

Where It Came From	Millions kWh	%
Direct Purchase	61.5	1.4
Interchange	298.6	6.9
Losses Purchases	93.6	2.2
Contract Exchange	95.2	2.2
Generated by Hydroelectric Plants of the U.S. Army Corps of Engineers	3,761.8	87.3
Total	4,310.7	100.0

Where It Went	Millions kWh	%
Losses	238.9	5.5
Interchange	159.4	3.7
Municipalities	1,254.9	29.1
Government Agencies	114.9	2.7
Cooperatives	2,542.6	59.0
Utility Companies/ Others	-0-	-0-
Total	4,310.7	100.0

* Includes losses on retirement of assets booked through depreciation reserve.

SOURCE AND DISTRIBUTION OF REVENUE FY 2000

Where It Came From	Thousands \$	%
Miscellaneous	10,368	10.2
Deferred Revenue	4,762	4.7
Utility Companies/ Others	-0-	-0-
Government Agencies	1,968	1.9
Municipalities	25,098	24.6
Cooperatives	57,188	56.1
Banking Exchange	2,510	2.5
Total	101,894	100.0

Where It Went	Thousands \$	%
Available for Repayment	6,780	6.7
Interest Expense	18,042	17.7
Purchased Power & Bank Exchange	9,816	9.6
Transmission Service Charge	1,859	1.8
Operations, Maintenance, & Other*	65,397	64.2
Total	101,894	100.0

Unaudited - Supplementary Information



POWER & FINANCIAL DATA SUMMARY - SOUTHWESTERN FEDERAL POWER SYSTEM - SEPTEMBER 30, 2000

Project	FY On-line Date	Installed Capacity kW	Estimated Average Annual Energy (Million kWh)	Net Energy Production (Million kWh)	Cost Assigned To Power **	Total Project Cost **	% Cost Assigned To Power
Beaver	1965	112,000	172	90	59,956,274	88,119,417	68.0
Blakely Mountain	1956	75,000	169	128	27,855,370	44,071,996	63.2
Broken Bow	1970	100,000	129	93	25,794,486	47,575,660	54.2
Bull Shoals	1953	340,000	785	302	72,377,607	110,163,679	65.7
Clarence Cannon	1985	58,000	90	15	108,901,156	379,507,373	28.7
Dardanelle	1965	124,000	613	480	74,826,863	117,239,106	63.8
De Gray	1972	68,000	97	43	23,666,250	78,571,037	30.1
Denison	1945	70,000	219	118	24,852,374	78,020,081	31.9
Eufaula	1965	90,000	260	217	37,637,379	138,480,151	27.2
Ft. Gibson	1953	45,000	191	172	18,407,801	49,825,094	36.9
Greers Ferry	1964	96,000	189	81	37,224,048	58,635,795	63.5
Harry S. Truman	1982	*160,000	244	86	163,176,051	629,376,174	25.9
Keystone	1968	70,000	228	324	28,462,467	132,888,136	21.4
Narrows	1950	25,500	30	21	8,154,967	20,380,481	40.0
Norfork	1944	80,550	184	67	23,361,275	78,261,525	29.9
Ozark	1973	100,000	429	277	46,481,029	103,766,638	44.8
Robert D. Willis	1989	7,350	37	36	-0-	9,193,620	-0-
Robert S. Kerr	1971	110,000	459	570	46,258,011	109,007,922	42.4
Sam Rayburn	1966	52,000	114	55	26,229,523	112,554,016	23.3
Stockton	1973	45,200	55	23	27,014,626	88,750,208	30.4
Table Rock	1959	200,000	495	232	65,350,581	96,822,661	67.5
Tenkiller	1954	39,100	95	96	15,430,850	37,106,474	34.9
Webbers Falls	1974	60,000	213	228	35,121,847	100,677,385	34.9
Whitney	1955	30,000	73	8	12,487,179	54,544,257	22.9
Totals		2,157,700	5,570	3,762	\$1,009,028,014	\$2,763,538,886	36.5

* Only 53,300 kW have been declared in commercial operation.

** Includes construction work in progress with plant in service less contributions in aid of construction.

DETAIL OF REVENUE FROM CUSTOMERS - FY 2000

Customers	Capacity kW	Energy Delivered (000) kWh	Revenue From Power Sales (Dollars)
Cooperatives			
Arkansas Electric Cooperative Corp.	189,000	471,805	8,095,579
Associated Electric Cooperative, Inc.	519,000	481,645	18,338,518
Beauregard Electric Cooperative, Inc.	7,900	11,888	179,099
Brazos Electric Power Cooperative, Inc.	35,200	16,768	1,162,514
Cajun Electric Power Cooperative, Inc.	-0-	89,072	1,835,453
Claiborne Electric Cooperative, Inc.	4,900	7,374	111,086
Concordia Electric Cooperative, Inc.	4,300	6,471	97,484
Dixie Electric Membership Corp.	16,300	24,528	369,533
Jefferson Davis Electric Cooperative	3,600	5,417	81,614
Kansas Electric Power Cooperative, Inc.	100,000	246,550	4,268,580
Kaw Valley Electric Cooperative, Inc.	1,000	1,960	40,259
Nemaha-Marshall Electric Cooperative	1,000	1,975	42,731
Northeast Louisiana Power Cooperative, Inc.	4,100	6,170	92,950
Northeast Texas Electric Cooperative, Inc.	127,500	275,818	5,254,129
Pointe Coupee Electric Membership Corp.	2,700	4,063	61,211
Rayburn Country Electric Cooperative	44,100	74,363	1,712,674
Sam Rayburn Dam Electric Cooperative, Inc.	52,000	55,442	2,168,136
South Louisiana Electric Cooperative Association	8,000	12,038	181,366
Southwest Louisiana Electric Member Corp.	22,400	33,708	507,824
Tex-La Electric Cooperative of Texas, Inc.	28,200	47,384	1,093,070
Valley Electric Membership Corp.	9,400	14,145	213,105
Washington-St. Tammany Electric Cooperative, Inc.	7,800	11,738	176,831
Western Farmers Electric Cooperative	260,000	642,276	11,104,289
Total Cooperatives (23)	1,448,400	2,542,598	\$57,188,035

Unaudited - Supplementary Information

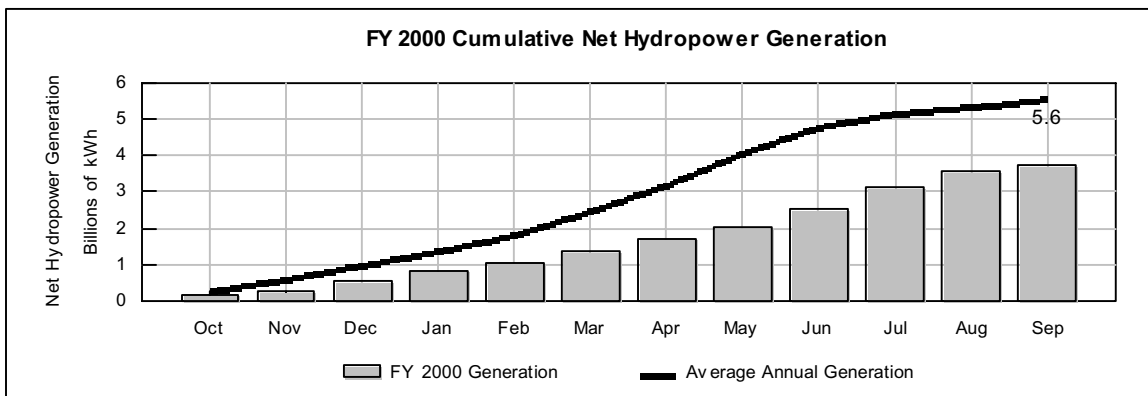
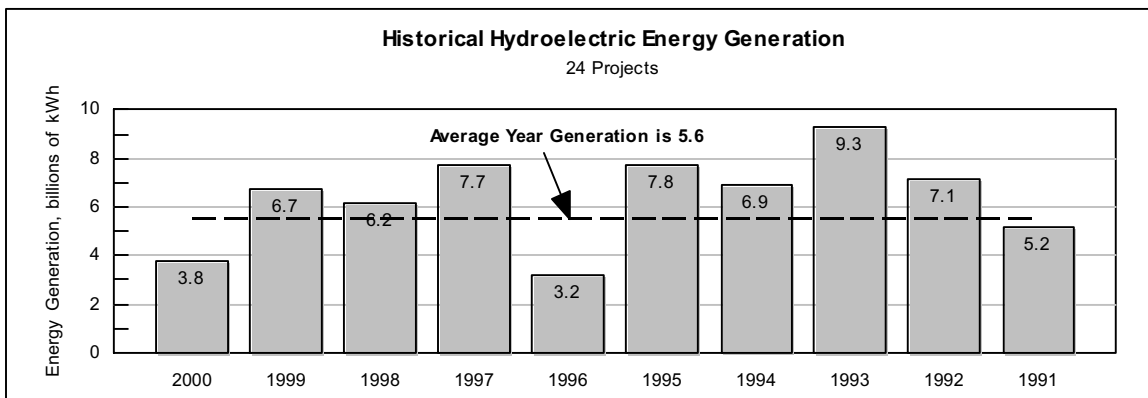
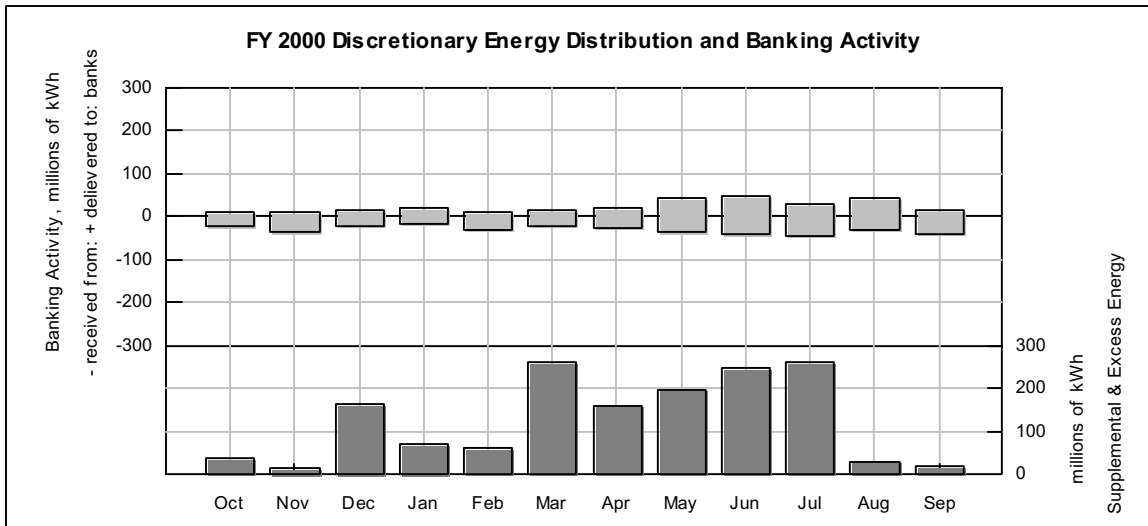
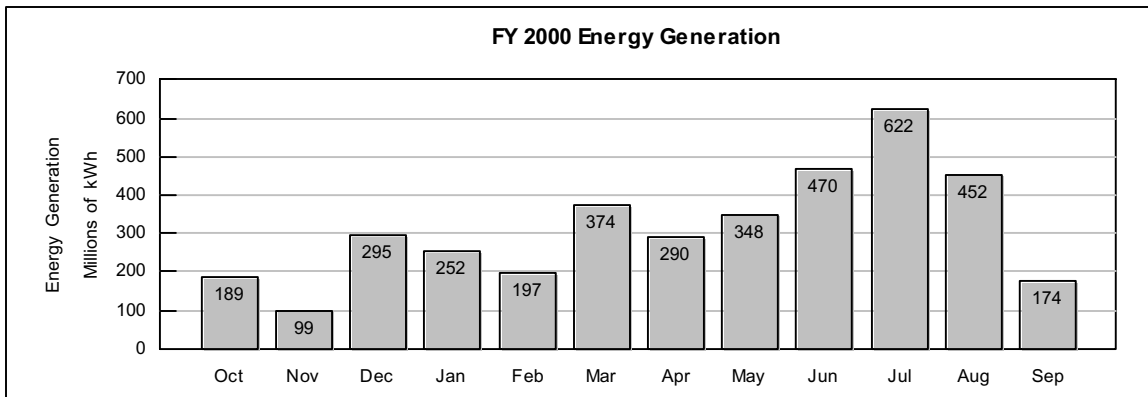


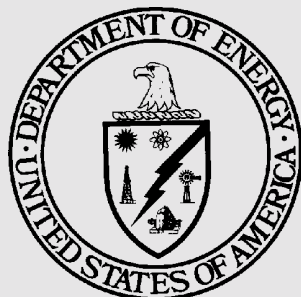
Detail Of Revenue From Customers - FY 2000

Customers	Capacity kW	Energy Delivered (000) kWh	Revenue From Power Sales (Dollars)
Government Agencies			
Department of the Army, Ft. Sill, Oklahoma	36,700	91,833	1,573,047
Army Ammunition Plant, McAlester, Oklahoma	2,688	6,726	115,213
Vance Air Force Base, Enid, Oklahoma	6,600	16,294	280,286
Total Government Agencies (3)	45,988	114,853	\$1,968,546
Municipalities			
Anthony, Kansas	300	517	11,737
Augusta, Arkansas	3,700	5,892	142,432
Bentonville, Arkansas	18,000	44,865	770,677
Carthage, Missouri	7,000	13,780	306,464
Clarksville, Arkansas	19,100	31,410	740,030
Coffeyville, Kansas	1,900	3,650	76,138
Comanche, Oklahoma	4,200	8,046	168,196
Copan, Oklahoma	2,500	4,790	100,117
Duncan, Oklahoma	32,500	62,260	1,301,518
Eldorado, Oklahoma	1,300	2,490	52,061
Fulton, Missouri	3,000	5,400	118,474
Goltry, Oklahoma	900	1,724	36,042
Granite, Oklahoma	2,300	4,406	92,107
Hermann, Missouri	5,800	10,331	228,527
Higginsville, Missouri	3,000	5,096	117,015
Hominy, Oklahoma	10,000	19,157	400,467
Jonesboro, Arkansas	80,000	177,821	3,360,053
Kansas City, Kansas	38,600	93,926	1,641,709
Kansas Municipal Energy Agency (Serves 24 Municipals)	11,200	19,169	437,547
Kennett, Missouri	11,000	25,220	498,701
Lafayette, Louisiana	18,000	28,498	693,658
Lamar, Missouri	12,000	22,443	477,943
Lexington, Oklahoma	4,100	7,854	164,192
Louisiana Energy & Power Authority (Serves 9 Municipals)	29,000	50,437	1,136,788
Malden, Missouri	5,000	11,092	224,899
Manitou, Oklahoma	600	1,149	24,028
Minden, Louisiana	2,400	4,217	94,285
Natchitoches, Louisiana	2,500	3,946	96,071
New Madrid, Missouri	4,500	8,838	194,754
Nixa, Missouri	5,300	10,587	232,774
Olustee, Oklahoma	700	1,341	28,033
Paragould, Arkansas	50,500	112,098	2,271,806
Paris, Arkansas	10,800	26,748	461,586
Piggott, Arkansas	4,900	10,743	219,790
Poplar Bluff, Missouri	39,500	87,586	1,776,503
Purcell, Oklahoma	14,500	35,912	619,722
Ryan, Oklahoma	1,900	3,640	76,089
Sam Rayburn Municipal Power Agency, Texas	7,350	36,312	337,932
Sikeston, Missouri	33,800	58,685	1,426,277
Skiatook, Oklahoma	11,000	27,518	471,452
Spiro, Oklahoma	4,000	7,663	160,187
Springfield, Missouri	50,000	99,870	2,045,946
Thayer, Missouri	2,800	5,186	111,277
Walters, Oklahoma	6,400	12,260	256,299
West Plains, Missouri	15,000	28,318	643,697
Wetumka, Oklahoma	2,600	4,981	104,121
Yale, Oklahoma	3,700	7,088	148,173
Total Municipalities (78)	599,150	1,254,960	\$25,098,294
Total Sales by Southwestern of Electric Power and Energy (104)	2,093,538	3,912,411	\$84,254,875

Unaudited - Supplementary Information







SOUTHWESTERN POWER ADMINISTRATION ADDRESSES

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Verify 918-595-6654

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P.O. Box 728
Gore, OK 74435

Voice 918-489-5582
FAX 918-489-5527

JONESBORO MAINTENANCE

305 N. Floyd Street
P.O. Box 1369
Jonesboro, AR 72403

Voice 870-972-4686
FAX 870-932-6153

SPRINGFIELD OPERATIONS AND MAINTENANCE CENTER

2858 S. Golden
P.O. Box 3337
Springfield, MO 65808

Maintenance Numbers

Voice 417-881-8772
FAX 417-891-2688

Operations Numbers

Voice 417-881-1820
After Hours/
Weekends 417-881-3363

EMERGENCY 417-889-9394

FAX 417-891-2683

Maintenance Engineering

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